

United States Information Agency

**Office
of
INSPECTOR GENERAL**

SEMIANNUAL REPORT TO THE CONGRESS



April 1, 1989 - September 30, 1989

United States Information Agency

Washington, D.C. 20547



INSPECTOR GENERAL

October 31, 1989

**The Honorable Bruce S. Gelb, Director
The Honorable Eugene P. Kopp, Deputy Director**

In accordance with the Inspector General Act of 1978 (Public Law 95-452), I am transmitting the semiannual report of the Inspector General covering the period April 1, 1989, through September 30, 1989.

During this six-month period, OIG issued 25 audit and inspection reports dealing primarily with financial management and internal controls, program evaluation, grants management, procurement and other administrative operations. OIG also completed 19 investigations. The semiannual report identifies approximately \$563,000 in savings, as well as opportunities for management improvements and better controls.

Internal controls received close attention during the period, both by OIG and the Agency. As identified in OIG reports, briefings, and by management, areas of particular concern included the need for: (1) updated written policies and procedures governing Agency operations and programs, (2) adequate regulations and better controls over the J-1 Visa Program, (3) minimum internal control guidelines relating to the operation of Fulbright Binational Commissions, and (4) strengthened policies and procedures for managing the Agency's grants programs.

Overall, OIG recommendations were directed to improve the efficiency, economy and effectiveness of the Agency's worldwide programs and operations. Deficiencies brought to the attention of Agency management have generally resulted in prompt action and coordination to reach resolution. OIG will continue to coordinate its efforts with those of management in addressing all areas of concern.

We appreciate your support and cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Anthony J. Gabriel".

**Anthony J. Gabriel
Inspector General**

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INTRODUCTION

This is the sixth semiannual report issued by the Office of Inspector General (OIG), United States Information Agency (USIA), since it became a statutory entity on August 27, 1986. It is issued pursuant to the Inspector General Act of 1978 and conforms to the new reporting requirements as set forth in the Inspector General Act Amendments of 1988 (P.L. 100-504). The report covers the six-month period from April 1, 1989, through September 30, 1989.

MISSION

OIG, through its audits, inspections and investigations:

- evaluates USIA's programs and operations to determine if they are executed efficiently and effectively and in accordance with all applicable laws and regulations;
- keeps the Director of the Agency and Congress fully informed about problems and deficiencies relating to Agency functions and programs, and the necessity for and progress of corrective actions; and
- operates a "whistleblower" hotline and conducts fraud awareness and prevention activities.

RESOURCES

OIG, with three operational components, has a total authorized staff of 50. Nineteen individuals are assigned to the Office of Audits, 14 to the Office of Inspections and eight to the Office of Investigations. An additional three persons are assigned to the immediate Office of Inspector General and six more to the Office of Administration and Management.

With tasks continuing to outnumber resources, it was necessary to supplement OIG staffing during this period with two reemployed annuitants and two overcomplement employees. Also, it was necessary to obtain additional audit support by contracting with public accounting firms.

ENVIRONMENT

USIA, an independent organization within the executive branch with a fiscal year 1989 appropriation of \$882.3 million, is responsible for "...telling America's story to the world." To meet its objective, USIA administers the United States government's overseas information, educational exchanges and cultural programs. It is the parent agency of the Voice of America. It maintains 204 posts in 127 countries and has a current authorized staffing level of 9,231, consisting of 5,387 Americans and 3,844 foreign nationals. Overseas, USIA is known as USIS, the United States Information Service. USIA's global mission and the world-wide deployment of its resources are significant factors impacting on OIG operational commitments and must be taken into consideration in the planning and approach to its audit, inspection and investigative functions.

OPERATIONAL SUMMARY

During this reporting period, OIG continued to focus its efforts on the review of Agency bureaus and offices expending the major portions of the Agency's budget, on those activities considered most vulnerable to loss or abuse, and issues of concern to the Agency and the Congress.

Issues of particular concern to OIG and Agency management include the need: (1) for the Agency to update its overall written policies and procedures governing its operations and programs, (2) for adequate regulations and better controls over the J-1 Visa Program, (3) for minimum internal and fiscal control requirements relating to the operation of Fulbright Binational Commissions, and (4) for strengthened policies and procedures governing the management of the Agency's grants programs.

Agency management has displayed a positive and aggressive approach in identifying problem areas and in initiating corrective actions to rectify internal control weaknesses and other deficiencies brought to its attention.

While the principal portions of this report are organized into chapters corresponding to the major bureaus and offices of USIA in which OIG work was concentrated, the following section of this Overview is grouped by general issue topic; namely, Financial Management/ Internal Controls, Program Evaluation, Grants Management, Procurement, Management and Administration, Investigative Activities, and Other OIG Activities.

**FINANCIAL
MANAGEMENT AND
INTERNAL CONTROLS****■ Internal Control and Audit Follow-Up**

OIG continues to work closely with management in strengthening the Agency's internal control and audit follow-up systems. In response to the Administration's July 1989 initiative to foster greater awareness of internal controls and to identify and correct problem areas, OIG briefed senior management on these issues. In its briefing, OIG expressed its concern that OIG reports have identified a recurring need to provide up-to-date written policies and procedures to improve controls over Agency programs and operations. Subsequently, the Director established a schedule to have the Agency's Manual of Operations and Administration (MOA) updated by August 1, 1990, and has taken other actions to strengthen internal controls. (p. 29)

During the briefing, OIG expressed concerns about the need for adequate regulations and better controls over the J-1 Visa program. An OIG review of the program, requested by Agency management, was suspended pending completion of a Congressionally mandated review by the General Accounting Office (GAO). (p. 30)

■ Fulbright Binational Commissions

OIG was requested to conduct a fact-finding review of the circumstances surrounding the embezzlement of U.S. funds at one of the Agency's Fulbright Binational Commissions as part of management's examination of the situation. The review disclosed that the embezzlement, which is being investigated by local authorities, was made possible by material internal control weaknesses which allowed the Commission's accountant access to almost all phases of the fiscal operation.

OIG found that although immediate actions taken and ongoing by the Agency and the Commission to correct control weaknesses were reasonable, additional steps were necessary to provide more effective management control over such Binational Commissions, including the issuance of a finalized manual of administrative operations and clarification of its enforceability. The Agency has initiated actions to develop and finalize its guidance to binational commissions, including minimum internal control standards, and to work through the Agency's geographic area offices to incorporate

the standards into the agreements of existing and future commissions. Because of the responsiveness of the Agency's actions, no OIG recommendations were made. (p. 21)

■ Accounting Systems

OIG found that the Agency has taken actions to enhance its accounting systems and expects to achieve full compliance by 1992 with the Core Financial System Requirements. However, a definitive five-year financial system plan needed to meet federal requirements has not yet been developed, and OIG's tests of accounting records identified specific weaknesses in the current system and opportunities for additional automated system enhancements. The Agency has agreed to provide a plan for implementing OIG's recommendations. (p.25)

■ Year-End Spending

An OIG review of the Agency's domestic purchasing practices during fiscal year 1988 disclosed that the amount obligated for automated data product (ADP) acquisitions during the fourth quarter exceeded the average of the first three quarters by over 1800 percent. Further, the Agency is not in full compliance with Office of Management and Budget (OMB) Circular No. A-130 and the Federal Information Management Regulations which require multi-year strategic plans for information technology. The large amount of spending at year end, without an Agency-wide strategic plan, created a situation highly vulnerable to wasteful spending.

The Agency concurs with the objective of minimizing wasteful year-end spending, consistent with the need for flexibility, and has instituted interim guidance in technology procurement, plans to have a permanent ADP procurement system developed by mid-1990, and has agreed to develop an advance procurement plan for fiscal year 1990. While OIG recognizes management's actions and need for management flexibility, OIG believes that the vulnerability to wasteful year-end spending on ADP will not be fully eliminated until an effective multi-year strategic planning process is implemented and ADP needs are properly budgeted. To this end, the Bureau of Management is working toward resolving the remaining issues of developing a multi-year strategic planning process and properly budgeting for ADP procurements. (p. 25)

**PROGRAM
EVALUATION****■ Overseas Post Operations**

Six USIS country posts were reviewed during this reporting period, including Tanzania, Ghana, Cote d'Ivoire, the Central African Republic, Brazil, and Indonesia.

At the USIA posts it was generally observed that well-motivated USIS personnel were operating effectively as integrated members of U.S. Mission teams. Once again, however, a number of deficiencies were identified in both the USIS programs and the administration of the posts. Deficiencies were noted in internal controls in major programming areas such as educational foundations and binational centers, as well as in the administrative areas of funds management, procurement, and time and attendance.

At USIS Brazil, OIG recommended urgent action be initiated to determine if the presence of asbestos in several areas posed a danger to health. The Bureau of Management concurred and action is in progress. (pp. 9-14)

■ VOA Philippines Transmitter Station

OIG found that one American position could be eliminated following conversion of the Poro Point transmitter site to commercial power, with an estimated annual savings of about \$150,000. OIG also identified asbestos and polychlorinated biphenyls (PCB) environmental safety concerns at the Philippine sites. In response to the OIG report, VOA agreed to review the station's staffing six months after the conversion to commercial power and to conduct an environmental inspection of the station. (p.16)

■ Regional Service Center (RSC) - Manila

OIG found that RSC-Manila, the Agency's principal overseas printing facility, lacked a written contingency plan to ensure meeting the Agency's printing needs should the RSC become inoperable. The RSC is located in an area subject to political uncertainty and natural disasters. OIG also identified certain financial management weaknesses at the RSC. The Agency agreed to prepare a contingency plan and to correct the identified weaknesses. (p. 23)

- **Book Publishing and Translation Program**

OIG identified a need for a written operational plan setting forth program goals and regional priorities, as well as ways for the Agency to strengthen its title selection process, translation quality, and financial oversight, and to reduce costs through possible elimination of regional book offices. The Agency concurred with all OIG recommendations and agreed to produce an operational plan reflecting worldwide and area priorities, and strengthen its procedures to correct the weaknesses identified by OIG. (p. 22)

GRANTS MANAGEMENT

- **Grant Processing Procedures**

OIG reviewed the Bureau of Educational and Cultural Affairs grant processing procedures, briefing management on the need to better document the basis for Bureau grant decisions, and to evaluate the role of the grants coordinator. Further, as a result of weaknesses noted during its preliminary review, OIG has initiated follow-on audit work covering grant award administration, program management, financial management, and automation. (p. 19)

- **Grantee Audits**

OIG issued four reports on grantees, identifying \$266,872 in questioned costs and recommending improvements in grantee internal control and accounting systems. Reviews of two provisional indirect cost rates were also completed. (pp. 20-21)

PROCUREMENT

OIG completed one claim settlement audit, resulting in questioned costs of \$83,307 and unsupported costs of \$3,874, and a review of a contractor's proposed indirect cost rate. (p. 17)

MANAGEMENT AND ADMINISTRATION

- **Non-reimbursable Personnel Agreements**

An OIG review found that 17 Agency employees, or 23 percent of those on nonreimbursable details during the period

March 1986 through March 1989, were performing or had performed activities that violated the prohibitions of 22 USC Section 1461-1a against using appropriated funds to influence domestic public opinion. The Agency concurred with OIG recommendations for corrective actions. (p. 27)

■ Consulting Services

An OIG evaluation of the Agency's control over the use of consulting services determined that while the Agency has systems in place to control the use of such services domestically, it has not extended those control practices to its overseas operations. Based on OIG recommendations, the Agency has agreed to update its Manual of Operations and Administration to reflect recent updates to OMB Circular No. A-120, "Guidelines for the Use of Advisory and Assistance Services", and to revise its procedures for controlling and reporting overseas consulting services. (p. 27)

INVESTIGATIVE ACTIVITIES

Several investigations were conducted during the reporting period relating to a variety of illegal and/or improper activities by Agency employees. The preponderance of those investigations related to thefts of government funds, especially from imprest funds, misuse of government resources, and general employee misconduct issues.

The caseload in our investigative unit continues to grow with an analysis reflecting an increase of over 100% within the past two years. This rise is attributable to OIG's fraud awareness activities and increased emphasis by the Agency on actions to curb fraud, abuse and wasteful practices. Statistics reflect that the biggest percentage of our current workload (38%) is attributable to requests for investigations received from Agency management.

Of those cases closed during this period, 53 percent resulted in disciplinary actions or in identifying Agency management or administrative deficiencies for which corrective actions were initiated. Prosecutive actions are still pending as a result of some of these investigations. (Appendix B)

OTHER OIG ACTIVITIES

OIG continued to provide assistance to the Congress and Agency management in terms of both ongoing activities and special requests.

OIG also participated in several President's Council on Integrity and Efficiency (PCIE) projects, providing inputs concerning such issues as: (1) the disposal of excess property, (2) merged "M" account balances, (3) personnel security clearances, (4) debt collection controls, (5) the use of consultant services, and (6) the development of inspection standards.

OIG continued to present orientation and fraud awareness programs to all new Agency employees, and to new classes of Foreign Service Junior Officer Trainees (JOTs). Management Implication Reports (MIRs) identifying systemic deficiencies causing waste, fraud or abuse, which are noted during the course of investigations, were forwarded to Agency management for their immediate consideration of corrective action.

STATISTICS

A brief summary of OIG activities during this reporting period follows:

Audit and Inspection Reports Issued(Appendix A)	25
Investigations Completed (Appendix B)	19
Questioned Costs Sustained (Appendix C)	\$ 95,670
Agreements to Put Funds	
to Better Use (Appendix D)	465,264
Restitutions/Recoveries (Appendix B)	2,121
Total Dollar Impact	\$563,055
Reports Where Agency Action is Pending:	
Number Less Than Six Months Old	9
Dollar Value	\$478,503
Number More Than Six Months Old	2
Dollar Value	\$96,936

II - OVERSEAS OPERATIONS

BACKGROUND

USIA, with its cultural exchange, radio, television and information programs, operates at posts around the world. These posts are projected to expend 25 percent, or \$220 million of the Agency's \$882.3 million fiscal year 1989 appropriation. The primary tasks of USIA personnel assigned to these posts are to:

- strengthen foreign understanding and support for United States policies and actions;
- counter attempts to distort the objectives and policies of the United States;
- assist Agency leadership in advising the President, the Secretary of State, members of the National Security Council and other key officials on the implications of foreign opinion for present and contemplated United States policies; and
- manage USIA's informational, cultural and library activities in the host country.

HIGHLIGHTS

Operations at six USIS country posts overseas were reviewed during this reporting period using multi-disciplinary teams of foreign service officers, auditors, and/or management analysts: Tanzania, Ghana, Cote d'Ivoire, the Central African Republic, Brazil, and Indonesia. Also, a review was conducted of a USIA grant to Radio in the American Sector (RIAS) in West Berlin.

OIG observed that while well-motivated USIS personnel were operating effectively as integrated members of U.S. Mission teams, a number of deficiencies were identified in both the USIS programs and in the administration of the posts. Four posts were instructed to readjust programming priorities and revise their budgets accordingly, with a like number being advised to review the cost-effectiveness of their publications distribution. Five of the six posts examined were instructed to review their staffing patterns for Foreign Service National employees and, in some cases, to rewrite position descriptions, provide training,

and upgrade morale. At the two larger posts, a need to provide better communication and support for branch posts was identified.

In addition, deficiencies were noted in internal controls in major programming areas such as educational foundations and binational centers, as well as in various administrative areas.

Common deficiencies in administrative internal controls included weaknesses in systems to ensure compliance with regulations in:

- *Deobligating prior-year unliquidated obligations;*
- *Establishing embassy accounts receivable files for USIS;*
- *Implementing time and attendance practices;*
- *Administering contracts, grants and leases;*
- *Using distribution and record systems; and*
- *Assigning and monitoring the use of representational housing.*

Also, at one post, OIG recommended urgent action to determine if the presence of asbestos in several areas posed a danger to health. Agency management concurred with all recommendations.

Summaries of three of these post reports follow:

■ **USIS Brazil**

OIG inspected USIS Brazil from March 20 to April 27, 1989. Headquartered in the interior capital of Brasilia with branch operations in Sao Paulo, Rio de Janeiro, Recife, Belo Horizonte and Porto Alegre, USIS Brazil has a staff of 24 Americans and 104 Brazilian nationals. Its budget for fiscal year 1989 was approximately \$8 million. USIS Brazil's program addresses the topics of economics and trade, peace and security, narcotics, science and technology, the growth of democracy, and U.S. society.

Brazil, the world's fifth largest country in area and eighth largest economy, has traditionally been a leader of the inter-American community and has a long history of friendship with the United States. In recent years, Brazil's shift toward a third world perspec-

tive, the human rights and nuclear nonproliferation disputes of the late 1970s, growing debt, triple digit inflation, and contemporary problems such as the environment and narcotics, have led to a largely negative foreign policy agenda between Brazil and the U.S., presenting special challenges to USIS.

***USIS found effective
in contributing to
Embassy operations***

OIG found USIS well integrated into the country team and effective in contributing to political, economic, commercial, treasury, and other embassy objectives through a diverse array of programs: the study of English and learning about the U.S. in 49 Brazilian-American binational centers, academic exchanges, television interactives, the International Visitor, American Participants, cultural and library programs, and many more.

In connection with changing political and social trends in Brazil, OIG recommended that the post sharpen the focus on important younger leaders in Brazil's evolving elite groups and track audience interaction more efficiently.

***PCB and asbestos
hazards reported and
recommendations made***

In Rio, OIG made recommendations to deal with management problems concerning program coordination, space issues, and health and safety hazards. OIG was informed of possible dangers from polychlorinated biphenyls (PCBs) under certain conceivable fire circumstances and also observed an urgent air-quality danger to USIS employees from broken asbestos material on overhead sections of the audio-tape and film work areas. OIG recommended that the Agency's Overseas Support Division (M/AO) ascertain the current status of the State Department asbestos abatement program for Rio and urged that a test of air quality be conducted. The Agency concurred and action is in progress.

***Recommendations made
to strengthen Book
Translation Program***

To strengthen the information program, OIG recommended restructuring staff time and responsibilities in the two large branches and eliminating some marginal activities, tightening contract conditions pertaining to the Book Translation Program, and reassessing post printing requirements and modernization.

OIG also made recommendations to integrate USIS libraries more fully in post activities, review types and frequencies of cultural presentations, improve Mission participation in the International Visitor program, and assign specific responsibility for radio programming to the newly-arrived information officer.

OIG identified morale factors which have seriously affected both American and foreign national staffs, particularly in Rio, and provided suggestions to address them.

*Improvements required
in management and
administration*

Other recommendations dealt with needed improvements in management practices and administrative procedures, including questions concerning the applicability of the regulations under which USIS provides material assistance to the binational centers. The Area Office and the post initiated corrective action. (Report No. I-89-12) □

■ **USIS Tanzania**

OIG evaluated USIS Tanzania from March 13 through 24, 1989. With a staff of two American officers, 13 Foreign Service National employees, and 14 personal service contractors, the post administered a budget of approximately \$820,000 for fiscal year 1989. Its office and cultural center are located in the capital city, Dar es Salaam.

Located on the east coast of Africa, Tanzania comprises Tanganyika and the islands of Zanzibar and Pemba. Since independence in 1962, Tanzania has sought to achieve political and economic development within an egalitarian framework, but its economy has continued to experience major difficulties.

Tanzania bases its foreign policy on the concept of non-alignment. The United States enjoys friendly relations with Tanzania and has sought to assist its economic and social development through bilateral and regional programs.

The mission views the USIS public affairs role in Tanzania as "extremely important." The demand and opportunities for USIS products appear to be unlimited because of the dearth of information available in the country. However, conducting USIS programs is difficult because of the country's poor infrastructure and the communications environment, which is highly critical of the U.S. The post carries out a full range of cultural and information programs and also provides information on new communications technology.

Embassy officials praised the USIS role in achieving mission objectives, although the inspectors recommended that the post now focus its efforts more tightly on priority programs and set in place management systems to increase its effectiveness and efficiency. The post's fiscal year 1989 and 1990 country plans both contained 13 issues and actions -- a high figure for even the largest of USIS posts.

*Post urged to focus its
efforts more tightly on
priority programs*

The post also needed to address weaknesses in staff organization and morale. Another item of concern was inadequate housing and other arrangements for Fulbright lecturers by the major host institution in Dar es Salaam.

Weaknesses in fiscal management and internal control practices

Weaknesses were noted in obligation practices and record keeping, review of unliquidated obligations and outstanding travel advances, accounts receivable, the receipt of services, payroll and time and attendance practices, procurement, and the Foreign Affairs Administrative Support Agreement with the Department of State. In all cases, the area office and post concurred and initiated corrective action. (Report No. I-89-08) □

■ **USIS Indonesia**

OIG evaluated USIS Indonesia from June 12 to July 5, 1989. Headquartered in the capital of Jakarta with branch operations in Medan and Surabaya, USIS Indonesia has a staff of 14 Americans and 54 Indonesian nationals. Its budget for fiscal year 1989 was approximately \$2.2 million.

Indonesia with a population of 173 million is the most populous Muslim nation. Indonesia's strategic location in the South Pacific, abundant resources and influence among non-aligned countries, give it considerable international importance. Domestic politics center on the succession of General Suharto, who has led Indonesia since 1967, and at age 72, is in his fifth presidential term. Suharto moderated the foreign policy radicalism of Sukarno in the 1960s and improved the country's economic performance. Bilateral relations with the U.S. are close, stressing economic and security matters, and U.S. concern for further development of democratic institutions in Indonesia.

A post in transition - better balance of staff workloads recommended

Country Team members endorsed the post's overarching Country Plan objective of increasing Indonesian understanding of American political and social processes. They also valued USIS programs, particularly Worldnet interactives and International Visitors (IV), for reaching key Indonesian audiences. OIG found USIS Indonesia to be a post in transition. A recently arrived Public Affairs Officer (PAO) had consolidated many of the previous administration's program initiatives and shifted priorities in response to budget cuts and political developments in Indonesia. Major program and institutional changes in recent years have led to a misalignment of staff and program responsibilities. OIG recommended reassignments to balance staff workloads. OIG com-

mended the creation of the American-Indonesian Exchange Foundation (AMINEF) to improve management of the Fulbright Program but criticized the use of AMINEF for administering non-exchange programs and recommended the foundation devote itself exclusively to exchanges.

***Recommendations made
to enhance operational
effectiveness and efficiency***

In other areas, the Inspectors recommended that the branch post in Medan remain open despite budgetary pressure to close it; the post use its Distribution and Records System (DRS) for analyzing program effectiveness; reference and outreach services to library non-members be reduced to lighten the staff's workload; mini-cultural festivals be limited to one annual event because of high costs and complexity to organize; the PAO review his decision to cut Amparts in favor of less expensive Worldnet interactives because one is not an outreach substitute for the other; the post increase the number and scope of its daily Wireless File Bulletins; and significant improvements be made in the administration of the Book Translation Program (BTP) to maximize its effectiveness and comply with Agency guidelines. The Area Office and the post concurred with all recommendations and initiated corrective action. (Report No. I-89-13) □

■ **RIAS-TV, West Berlin, Germany**

OIG, through its contract auditor, conducted a review of USIA's grant to Radio in the American Sector (RIAS), West Berlin, Germany, for the establishment of television broadcast capabilities to be known as RIAS-TV. The \$12 million grant covered design, procurement and installation of necessary broadcast equipment and certain other items, to be completed during the period May 1, 1987 to December 31, 1988 (extended to June 30, 1989). RIAS-TV was established as an organization of USIA in November 1986. Its management consists of three elements: the U.S. Management, including an official of the United States Information Service (USIS) who serves as chairman; the German General Manager; and the Advisory Committee. The day-to-day operation of RIAS-TV, including about \$9 million in annual pay and allowances for about 160 employees, is funded by the government of the Federal Republic of Germany. USIA annually funds TV transmission and related costs of about \$500,000 - \$650,000.

OIG examined \$6,205,640 of the \$11,027,082 claimed for the period May 1, 1987 to December 14, 1988, for the purpose of determining whether the funds had been expended for the purposes

intended by the grant and in accordance with pertinent procurement regulations and internal control procedures. Although no costs were questioned as ineligible or unsupported, OIG identified a need for the contracting officer to obtain and review a budget plan for the remaining expendable funds, instruct RIAS-TV to enter the equipment and furniture at the Washington, D.C. studio into the formal inventory control system, and monitor usage of studios co-occupied with a German sublessor to assure current lease terms are appropriate.

***Actions taken on budget
plan, inventory control
and monitoring of
subleased studios***

OIG has since been notified that appropriate actions have been taken concerning the budget plan and inventory control system, and that the contracting officer and RIAS-TV Director will monitor the usage of the subleased broadcast studios. (Report No. A-89-18) ☐

BACKGROUND

The Voice of America (VOA), USIA's radio service to the world, broadcasts more than 1,000 hours of programming each week in English and 42 other languages to an estimated 127 million listeners. VOA's Radio Marti began broadcasting May 20, 1985 and is on the air twenty-four hours a day.

VOA broadcasts originate in its Washington studios and are beamed to listeners from 16 relay stations located in the United States and 12 foreign countries. The shortwave and medium wave transmitters at these stations have a total power in excess of 25 million watts.

VOA programs are also carried by many local AM and FM stations and networks around the world, and the number of these affiliations is growing. Satellites, international telephone service, high-frequency transmissions and airmail are used to deliver VOA programming to affiliated broadcasters.

The largest of all USIA elements, VOA has a current authorized permanent ceiling level of 2,785, and including Radio Construction, represented 28 percent, or \$246 million, of the Agency's fiscal year 1989 \$882.3 million appropriation.

VOA has also been tasked with the development of a transmission system for a test of television broadcasts to Cuba. Known as the TV-Marti Project, the Congressionally-mandated operational test, for which \$7.5 million has been allocated, is scheduled to begin in early 1990.

HIGHLIGHTS

■ **VOA Philippines Relay Station (PRS)**

PRS is the largest VOA overseas relay station with a staff of 13 American officers and 143 Foreign Service National employees, and a fiscal year 1989 budget of \$4,048,187. The station, on a daily basis, relays over 210 VOA program hours in 15 languages to the Soviet Union, China and Vietnam and other countries in the Far East.

***Elimination of one
power plant operator
recommended***

***Environmental
problems identified***

Overall, OIG found that PRS' internal controls are adequate to protect and safeguard U.S. Government assets and resources. OIG questioned, however, the need for two American power plant operators at the Poro Point transmitter site and recommended that one be eliminated after the plant converts to commercial power with a resultant estimated annual savings of about \$150,000. OIG also identified potential environmental problems due to the usage of asbestos in pipe insulation in staff living quarters and the presence of PCB fluids in 25 transformer and voltage regulators.

VOA responded to the report by agreeing to review the station's staffing six months after the conversion to commercial power and to conduct an environmental survey of the station. (Report No. A-89-19) □

■ **VOA Correspondent Bureau - Cote d'Ivoire**

In conjunction with the OIG review of USIA operations in Cote d'Ivoire, OIG reviewed VOA's Abidjan Correspondent Bureau which is responsible for VOA coverage of 26 African countries. It is staffed by one American officer (the correspondent) and one Foreign Service National employee. The Bureau also utilizes 12 VOA stringers, ten outside the country and two in Abidjan.

***Improvements needed
in Headquarter's
oversight and
administrative support***

The review revealed the need for improved administrative oversight and support from VOA Washington. VOA has not provided adequate equipment and furnishings to ensure efficient operation of the Bureau. OIG recommended steps to address this situation. OIG also recommended that VOA give the Bureau authority to procure its driver services under contract and that the Bureau improve its administration of leases and vehicle usage. VOA concurred and initiated corrective action. (Report No. L-89-07) □

■ **Communications Satellite Corporation (COMSAT)**

A review of COMSAT's equitable adjustment claim of \$771,689 for actual costs for the period September 1, 1988 through February 28, 1989, identified questioned costs of \$83,307 and unsupported costs of \$3,874. Questioned costs of \$55,818 are the result of an initial determination made by VOA's engineering evaluation that certain claimed parts and material did not pertain to the equitable adjustment claim.

Revisions to estimating systems and accounting for overhead rates recommended

The report also evaluated COMSAT's compliance with internal accounting controls and applicable laws and regulations. OIG recommended that COMSAT be required to revise its estimating system to eliminate expressly unallowable costs from future proposals and to propose accounting period overhead rates. The negotiations have been completed and OIG is waiting for the contracting officer's report. (Report No. A-89-21) □

■ **Misuse of Government Resources**

An OIG investigation confirmed allegations that an employee was using VOA equipment for non-government related business and, also, developed information indicating he duplicated material produced for VOA programming and sold it to private businesses.

Investigation into misuse of equipment and sale of VOA programming referred to Justice Dept. for prosecution

The case was referred to the Public Integrity Section, Department of Justice for consideration of criminal prosecution. At the same time VOA management, preparing to initiate administrative action against the employee, confronted him with the results of the investigation. The employee resigned. (Report No. 88-HB-004) □

IV - BUREAUS AND OFFICES

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS

BACKGROUND

USIA, and specifically the Bureau of Educational and Cultural Affairs (E Bureau), operates the U.S. government's programs of educational and cultural exchanges. These exchanges fall into the following categories: Academic Programs, of which the Fulbright Program, under which approximately 5,700 grants are awarded each year, is the best known; the International Visitors Programs; International Youth Exchanges; Artistic Ambassador Programs, and Private Sector Programs. The Bureau also maintains or supports 156 libraries or reading rooms in 95 countries, maintains or assists approximately 200 cultural centers in nearly 100 countries and promotes the teaching of English as a foreign language.

The Bureau is the principal Agency element charged with the administration and oversight of grants awarded by USIA and in fiscal year 1989 represented 23 percent (\$206.4 million) of the Agency's \$882.3 million appropriation.

HIGHLIGHTS

■ Grants Management

*Better documentation
required for grant
approvals and awards*

*OIG's planned work
to cover several areas
of identified weaknesses*

The E Bureau established guidelines in May 1983 as a general structure for a grant application and review process. The guidelines set procedures for reviewing grant applications and described the process and specific steps that each programming office must take prior to final grant approval and award. As a result of specific concerns raised regarding certain Private Sector Programs grants, and OIG's prior work in this area, OIG examined the process followed for these grants and reviewed E Bureau's overall grant management procedures. OIG briefed management on the results of its preliminary review, recommending that E Bureau provide better documentation for grant actions in the official grant files and examine the role of the grants coordinator. Subsequently, E Bureau notified OIG that it had revised its documentation procedures and eliminated some of the grants coordinator's duties. OIG's follow-on work will cover identified weaknesses in the areas of grant award administration, program management, financial management, and computer systems management. □

■ Individual Grant Audits

\$266,872 in questioned costs identified

OIG reviews of four E Bureau grantees representing total expenditures of about \$89.2 million resulted in questioned costs of \$266,872. The questioned costs by General Ledger Account Category are summarized in Appendix E. In addition, recommendations were made for improvements in grantee internal control and accounting systems. At the request of the Office of Contracts, OIG also examined the provisional indirect cost rates for two grantees.

Grantees are given an opportunity to respond to OIG's preliminary findings, and to the final reports when transmitted to them by the Agency's Contracting Officer. As of the end of the period, all grant audit reports issued this period were under review by the respective Contracting Officers to determine how much of the questioned amounts will be sustained.

Summaries of three of these reports follow:

Eisenhower Exchange Fellowships, Inc. (EEF)

Better management controls and procedures recommended

EEF is a nonprofit, nonacademic, nonpartisan organization that brings foreign leaders to the United States for fellowships. EEF received three grants totaling \$2,605,623 for the period October 1, 1984 to December 31, 1987. The grantee claimed costs during this period of \$2,660,924, including an overrun on two grants of \$124,450 and an underrun on one grant of \$69,149. Of this amount, \$723,103, or 27 percent, were tested during the audit. OIG questioned \$129,655 of the claimed costs as being ineligible. OIG also recommended that the \$124,450 in cost overruns on the two grants not be accepted; this amount is classified as funds put to better use, rather than questioned costs. OIG recommended better controls over employee timesheets, an accounting system that identifies and accumulates costs by each grant, improved letter-of-credit procedures, and the proper classification of employee leave costs as indirect costs. (Report No. A-89-23) □

Institute of International Education (IIE)

IIE, a non-profit organization founded in 1919, administers international education, training, and research activities. It organizes international projects under contract to sponsors such as USIA, the U.S. Agency for International Development (AID), the World Bank, the Ford and Rockefeller Foundations, universities, U.S. multinational corporations, and foreign governments.

***Accounting changes
recommended***

IIE received 26 USIA grants, 18 AID contracts and grants, and one National Science Foundation (NSF) grant during the fiscal years ending September 30, 1985, 1986, and 1987, claiming costs totalling about \$109.4 million, of which about \$85 million was attributable to USIA. OIG tested approximately \$610,000 of these charges and found that costs in the amount of \$65,825 charged to USIA grants were ineligible, based on recommended adjustments to the general and administrative (G&A) rates and the fiscal management (FM) rate used to allocate and recover indirect costs by contract and grant. In addition, OIG recommended that beginning with fiscal year 1990, G&A and FM rate computations, audit fees and microfiche costs be excluded from the FM pool and be included in the G&A pool. OIG also recommended that the USIA Office of Contracts (M/K), with advice as necessary from the Office of the General Counsel, determine what is a reasonable amount of legal fees which the Agency is willing to allow regarding the withholding issue for participants. (Report No. A-89-15) ☐

Town Affiliation Association of the United States (TAA)

***Improvements in
internal controls and
procedures recommended***

Sometimes referred to as the Sister Cities International, TAA is a private, non-profit service organization, incorporated in the District of Columbia in 1967. TAA formally links 751 U.S. cities with 1,082 communities in 86 foreign countries. In addition to developing new affiliations and providing member services, TAA develops and manages a variety of youth exchanges and practical training exchange programs. TAA claimed costs of \$1,428,101 incurred during the period from January 1, 1985 to June 30, 1987 on eight separate USIA grants. Of this amount, OIG tested \$787,961, or 55 percent, and questioned \$52,785 consisting of \$12,150 in ineligible costs and \$40,635 in unsupported costs. OIG recommended improvements in several areas of TAA's internal controls and procedures. (Report No. A-89-25) ☐

■ **Thailand - United States Education Foundation**

The Thailand - United States Educational Foundation (TUSEF) was established in 1950 under a bilateral agreement between the U.S. and Thai governments to administer the Fulbright program in Thailand. Policy is set by a board of five Americans, and five Thais. A small staff, headed by an Executive Director, a U.S. citizen, runs TUSEF's day-to-day activities. TUSEF's employees are not considered to be U.S. government employees.

OIG was requested to conduct a fact-finding review of the status of audits and other activities related to the embezzlement of funds from TUSEF by its accountant, a Thai employee. The purpose of OIG's review was to assess the actions taken by TUSEF, its auditors and Agency officials to apprehend the suspected thief, determine the nature and extent of the loss, correct identified weaknesses in internal controls and determine whether any additional actions were warranted.

*Embezzlement resulted
from material internal
control weaknesses*

Generally, OIG found, based on available information, that (1) while the full nature and extent of the embezzlement had not yet been determined, TUSEF's auditors had identified fraudulent, unsupported or questionable transactions totaling about \$447,000; (2) actions taken and underway in Thailand by TUSEF and Thai authorities to develop evidence and apprehend the suspect appear reasonable; and (3) the embezzlement was made possible by material internal control weaknesses in TUSEF's operations, including inadequate supervision and weak procedures allowing the accountant access to almost all phases of the fiscal operations. OIG found that actions taken and on-going to correct identified control weaknesses were reasonable, but that additional actions were needed to provide more effective management and control over Binational Commissions, including (1) issuance of a finalized Manual for Binational Commissions, such as TUSEF, with appropriate clarification of its enforceability; and (2) issuance of interim guidance to Commissions on strengthening internal control weaknesses.

*Early warning awareness
and corrective actions
initiated*

The Agency has taken steps to provide interim guidance to Commissions, finalize the Manual, provide other relevant guidance, and seek Commission acceptance of the Manual's requirements. OIG considers these actions to be responsive to its concerns; consequently, no OIG recommendations are being made at this time. OIG has participated and will continue to participate, in the process of developing the manual and guidelines and will monitor the investigative activities in Thailand. (Report No.L-89-13) □

■ **Book Publishing and Translation Program**

OIG reviewed the Agency's book publishing and translation programs, which are managed by E Bureau's Book Programs Division (E/CB). The review was conducted in Washington, D.C., at regional book offices in Mexico City, Buenos Aires and Cairo and at selected USIS posts overseas. Additional data was collected via a questionnaire sent to principal posts worldwide.

*Written worldwide
operational plan, other
improvements recommended*

OIG found that E/CB does not have a written operational plan setting forth program goals and regional priorities, and recommended that such a plan be developed. OIG also found a need for the Agency to strengthen the book-title selection and book-translation process, reconsider current methods of producing and distributing books for its regional programs in Spanish and Arabic, improve communications with posts receiving book program funding, and strengthen the financial oversight and guidance provided the overseas book publishing program. The Agency concurred with all OIG recommendations and agreed to produce an operational plan reflecting worldwide and area priorities, re-examine the value and cost effectiveness of the remaining regional book offices, and strengthen its procedures to correct the weaknesses identified by OIG. (Report No. A-89-20) ☐

BUREAU OF PROGRAMS

BACKGROUND

The Bureau of Programs is responsible for USIA's press, publications and exhibits programs. It also maintains the Foreign Press Centers, the Speakers Bureau, the Sports America Program, and the Wireless File which sends transmissions to USIA posts overseas through computer and radioteletype networks. It also publishes 14 magazines and commercial bulletins in 20 languages and produces an average of 16 to 18 major exhibits a year.

HIGHLIGHTS

■ Regional Service Center (RSC)-Manila

OIG reviewed the operations of the Agency's RSC in Manila because the majority of the Agency's publications are printed there and because it is located in an area experiencing political uncertainty and natural disasters. The RSC's primary responsibility is the printing of Agency periodicals as well as a variety of other products such as paper show exhibits, exhibit catalogs, Voice of America broadcast schedules and posters for overseas cultural presentations. RSC Manila also accepts printing orders on a reimbursable basis from other U.S. government organizations. During fiscal year 1988 RSC Manila operated with a staff of seven Americans and 137 full-time permanent and five full-time temporary Filipino employees, and an operating budget of \$5 million.

*Agency responds to
OIG recommendation
for operational
contingency plan*

OIG found that there is no contingency plan to ensure meeting the Agency's printing needs should RSC become inoperable for any reason. Conditions similar to those which resulted in the closure of RSCs in Beirut and Mexico City are present in Manila -- political uncertainties and location in a natural disaster zone. Accordingly, OIG recommended that a written contingency plan be developed that could be put into operation should RSC Manila become incapacitated. P Bureau concurred with the recommendation and has drafted a "Contingency Plan for Loss of the RSC Manila " which is now under review.

*Financial management
weaknesses identified*

OIG also identified financial management weaknesses at the KSC in the areas of printing reimbursements and guidance for administering these resources. These weaknesses resulted in erroneous deposits of reimbursement repayments and non-compliance with Agency regulations concerning certification of funds and refunds. The Agency generally concurred with OIG's recommendations for corrective action and has completed action on some of them. (Report No. A-89-28) ☐

BUREAU OF MANAGEMENT

BACKGROUND

Providing a wide variety of managerial, administrative and support functions, the Bureau of Management plays a pivotal role in the day-to-day operations of the Agency. Included within the Bureau are the separate Offices of Administration, Technology, Personnel, Comptroller, Contracts, Small and Disadvantaged Business Utilization, Equal Opportunity and Civil Rights, and Security.

The Bureau of Management's operational activities are extremely diversified and impact on all Agency elements. OIG's reviews of this critical element are, therefore, equally broad in scope.

HIGHLIGHTS

■ Accounting Systems

Agency attempting to correct long-standing financial management problems

OIG conducted a review of the Agency's accounting systems and the internal controls over those systems. The findings reflected that the Agency is attempting to correct long-standing financial management problems and has emphasized the need for improvements in its financial systems which include general ledger accounting, budget, payroll, and retirement functions. Over the past 20 years, limited staff and the constant requirements to meet deadlines have prevented the Agency from taking many actions it recognized were needed.

Weaknesses in current accounting systems, other opportunities for system enhancements identified

OIG found that the Agency has taken action to enhance the accounting system by automating some functions and expects to achieve full compliance by 1992 with the Core Financial System Requirements. However, OIG found that a definitive five-year financial system plan with estimated completion dates for specific accounting projects needed to meet federal requirements has not yet been developed. Further, OIG's tests of accounting records identified weaknesses and shortcomings in the current accounting systems, as well as opportunities for additional automated system enhancements.

Agency-wide financial management plan recommended

OIG recommended that the Agency develop and document an Agency-wide financial management plan that, (a) addresses known financial management problems, (b) establishes short and long-range information needs, (c) establishes specific goals, objectives, priorities, and milestone dates, and (d) assesses the costs and benefits of implementing scheduled plan objectives. OIG also recommended actions to correct the specific system problems identified in the review. The Agency has agreed to provide a detailed plan to implement the recommendations. (Report No. A-89-08) □

■ Year-End Spending

OIG conducted a review of selected object class purchases made during fiscal year 1988 to determine if the Agency was in compliance with federal and Agency regulations on year-end spending. Three object classes were reviewed: Class 25, Contract Services; Class 26, Administration and Office Supplies; and, Class 31, General Equipment and New Purchases. Also examined were domestic automated data processing (ADP) purchases, and domestic and overseas grants.

The review disclosed that, while year-end spending patterns remained basically unchanged from fiscal year 1987 to 1988 in the aggregate, the spending pattern for new equipment, object Class 31, worsened, particularly in ADP equipment. Of a total of \$6.5 million obligated for ADP in fiscal year 1988, \$5.6 million was obligated in the fourth quarter -- exceeding the average of the three previous quarters by over 1800 percent. The Agency reviewed and approved 87 percent of all ADP purchases in the last quarter of the fiscal year.

Heavy year-end ADP spending, without a strategic plan and proper budgeting, creates vulnerability to wasteful spending

In addition, the Agency has not complied with OMB requirements to develop multi-year strategic plans for information technology. OIG concluded that the Agency's practice of using remaining contingency funds at year-end to purchase ADP equipment is the primary cause of heavy year-end spending. Further, that the large amount of ADP spending at year-end, without an approved Agency-wide strategic plan, has created a situation vulnerable to wasteful spending.

OIG recommended that the Agency monitor future ADP purchases in order to minimize year-end spending except where seasonal requirements, essential program objectives, and lead times justify the expenditures; and that each element prepare an advance procurement plan for major ADP purchases at the start of the fiscal year.

Agency working towards development of multi-year strategic plan and proper budgeting for ADP purchases

The Agency concurs with the objective of minimizing wasteful year-end spending, consistent with the need for flexibility, and has instituted interim guidance in technology procurement. It plans to have a permanent ADP procurement system developed by mid-1990, and has agreed to develop an advance procurement plan for fiscal year 1990. While OIG recognizes management's initiatives and need for flexibility, OIG believes that the vulnerability to wasteful year-end spending on ADP will not be fully eliminated until an effective multi-year strategic planning process is implemented and ADP needs are properly budgeted. To this end, The Bureau of Management is working towards resolving the remaining issues of developing a multi-year strategic planning process and properly budgeting for ADP procurements.

OIG also reviewed year-end spending patterns for domestic and overseas grants and found that the Agency was improperly classifying miscellaneous costs in support of grant programs as grants obligations. (Class 41). OIG recommended that the Agency ensure that costs be properly classified in accordance with OMB

Circular No. A-11. The Agency concurred with the recommendations and agreed to properly classify obligations according to the nature of the goods and services involved. (Report No. A-89-27) ☐

■ Consultant Services

*Domestic controls need
to be extended to
overseas operations*

In accordance with the provisions of 31 U.S.C., Section 1114(b), OIG conducted a review of the Agency's control over the use of consulting services. The review determined that while the Agency has systems in place to control the use of such services domestically, it has not extended these practices to its overseas operations. Based on OIG recommendations, the Agency has agreed to update its Manual of Operations and Administration to reflect recent updates to OMB Circular No. A-120, "Guidelines for the Use of Advisory and Assistance Services", and to revise its procedures for controlling and reporting overseas consulting services. (Report No. A-89-07) ☐

■ Nonreimbursable Personnel Agreements

OIG reviewed the extent to which USIA employees on non-reimbursable details were performing or had performed activities that violated the prohibitions of 22 U.S.C. Section 1461-1a against using appropriated funds to influence domestic public opinion.

*23% of nonreimbursable
details involved duties in
violation of statutory
limitations*

The review found that 17 Agency employees, or 23 percent of those on nonreimbursable details during March 1986 through March 1989, performed duties in violation of statutory limitations. Duties found to be in violation included conducting lectures and making presentations before domestic audiences, writing reports and brochures for domestic public dissemination, writing press releases for domestic media, and preparing public diplomacy plans with the objective of influencing public opinion within the United States. Further, OIG found that Agency personnel procedures were inadequate to ensure proper utilization of personnel placed on non-reimbursable details.

Accordingly, OIG recommended that the Director of Personnel review the duties of employees currently on nonreimbursable arrangements to ensure compliance with legal restrictions; revise personnel procedures to ensure formal agreements are prepared, reviewed, and approved prior to detail; and inform all organizations receiving nonreimbursable details of USIA restrictions on employee

duties and responsibilities. Also, OIG recommended that the Office of General Counsel review the Office of Personnel's proposed corrective actions and revised procedures for legal sufficiency and to ensure that future nonreimbursable details comply with applicable statutory restrictions. The Agency concurred with all recommendations and agreed to review current nonreimbursable details, and revise its procedures to correct the identified weaknesses. The Office of General Counsel has agreed to work closely with the Office of Personnel in the development of these procedures. (Report No. A-89-22) □

■ **Overseas Financial Management**

OIG reviewed a financial management program developed by an Agency Regional Post Management Assistance Officer (RPMAO) on a pilot basis as a tool for overseas posts. OIG observed that while the program had notable strengths such as the potential to enhance the economy and efficiency of post operations and to provide reporting uniformity, it was limited by its complexity and need for extensive training and technical support and recommended careful consideration before further distribution was made.

Subsequently, M Bureau advised all posts that a new program, based on the version written by the RPMAO, was being prepared using currently available data base management software. OIG concurred with M Bureau's plans. (Report No. L-89-09) □

■ **Office Space Underutilization**

Based upon the receipt of an OIG Hotline complaint, a referral was made concerning alleged underutilization of office space at the USIA Headquarters building. Management conducted a review and determined that in some respects the allegation was correct and initiated immediate corrective action. (Report No. 89-HA-033) □

■ **Imprest Fund Theft**

Final action has been taken regarding a former Bureau of Management employee who resigned after stealing \$7,426 from an Imprest Fund. Accepted for criminal prosecution by the Assistant United States Attorney (AUSA), the former employee was entered into the Pretrial Diversion Program which resulted in a plea of guilty as charged. Based on his reimbursement of all funds stolen, the employee was sentenced to one year of probation and a period of community service. (Report No. 88-HA-040) □

*Former employee
prosecuted for
imprest fund theft*

VI OTHER OIG ACTIVITIES

OIG ADMINISTRATION AND MANAGEMENT

The Inspector General Act Amendments of 1988, Public Law 100-504, signed October 8, 1988, established separate appropriations for the statutory Inspectors General. Fiscal year 1989 appropriations for the USIA OIG were set at \$3.483 million.

The total number of full-time permanent positions currently authorized for OIG is 50. As of September 30, 1989, 47 of these positions were filled.

ASSISTANCE TO CONGRESS AND AGENCY MANAGEMENT

OIG has continued to provide assistance to the Congress and Agency management in terms of both ongoing activities and special requests, particularly in the areas of internal controls and audit follow-up and in other areas as summarized below.

■ **Internal Control and Audit Follow-up**

The Administration has put a high priority on exercising internal controls throughout the Executive Branch, and in July 1989, OMB officials met separately with the Inspector General and the Director's representative to foster greater awareness of the importance of internal controls and to ensure that known problems are corrected and that reviews are being conducted which will identify major problem areas. In response to the initiative, the OIG briefed senior management on these issues including the Director's representative in preparation for the Agency's meeting with OMB.

In its briefing of the Director's representative, OIG expressed its concern that OIG reports have identified a recurring need to provide up-to-date written policies and procedures to improve controls over Agency programs and operations. On July 28, 1989, the Director issued a letter to all Bureau and Office Heads, advising them that the Agency's Manual of Operations and Administration (MOA) lacks policy and procedures information on many of the

*Up-to-date written
policies and procedures
would improve controls*

Agency's activities and contains outdated material that reduces the Agency's effectiveness in working within the Agency, with other agencies, and with overseas contacts. To achieve a higher level of responsible management in USIA, the Director established a schedule to have the MOA up-to-date by August 1, 1990.

OIG also expressed concerns about the Agency's J-1 visa program. The lack of adequate regulations governing this program was identified in the Agency's fiscal year 1988 Federal Manager's Financial Integrity Act (FMFIA) report. While an OIG review of the program requested by management was suspended pending completion of the Congressionally mandated General Accounting Office (GAO) review, OIG has consulted with Agency staff on specific aspects of this program and will be examining the need for audits in operational areas not covered by the GAO.

***Agency has taken prompt
and effective action***

The Agency has taken prompt and effective actions regarding internal controls and audit follow-up. In response to the Executive Associate Director of OMB's August 1, 1989, call for an assessment of the Agency's FMFIA program and audit follow-up system, the Director summarized the actions he has taken to improve these processes, including:

- *Requiring quarterly updates on the status of actions being taken to correct material weaknesses and financial management system nonconformances identified in the fiscal year 1988 FMFIA report.*
- *Directing the Agency's Senior Official for Internal Control to (1) ensure all newly appointed senior staff receive thorough briefings on these matters, (2) reformat the Agency's Internal Control Steering Committee to cover audit follow-up matters and include all Agency element heads.*
- *Ensuring that the Agency's internal control program addresses those issues of most importance to senior management, office heads were requested to identify, with guidance from the Director of Internal Control, any management issues in their respective operations that pose a risk to the successful completion of their missions. These issues will be prioritized and serve as a basis for planning internal control and management evaluations, as well as operational audits by the OIG.*

- *The Director also highlighted the need for minimum internal and fiscal control requirements for the Fulbright Binational Commissions to better protect federal funds from theft (see discussion on page 21); the need for stronger policies and procedures to properly govern the management of the Agency's grants programs (see discussion on page 19); and the Agency's actions to correct these deficiencies.*
- *Finally, the Director noted that the Bureau of Management is working closely with the OIG to upgrade the process for tracking management decisions and final actions on OIG recommendations. □*

Other Areas of Assistance

The Agency is implementing a Bankcard pilot test program for small purchases under \$1,000. OIG reviewed and approved the Agency's draft procedures and is currently testing the controls over this program.

***Management Implication
Reports used to report
systemic deficiencies***

OIG also prepared Management Implication Reports (MIRs) when systemic deficiencies causing waste, fraud and abuse were noted during the course of investigations and forwarded such reports to Agency management for their immediate consideration of corrective action.

In addition, OIG met during the reporting period with Congressional staff members on selected aspects of OIG and Agency operations and provided timely briefings to Agency officials on a variety of specialized assignments so as to facilitate rapid Agency action. Examples include the review of the embezzlement of funds in Thailand and E Bureau's grants management activities, as discussed elsewhere in this report. □

LEGISLATIVE AND REGULATORY ACTIVITIES

Requests from the PCIE, OMB, and Congress to review proposed legislation have been an on-going responsibility of this office since it became statutory. Major proposed legislation has been monitored to assess its impact on the policies and procedures of OIG and the OIG community as a whole. Specifically, OIG recently reviewed and commented on H.R. 215, a bill relating to administratively uncontrollable overtime.

In addition, OIG has taken part in several PCIE studies relating to the possible need to introduce or amend legislation regarding issues impacting on OIG activities.

PRESIDENT'S COUN- CIL ON INTEGRITY AND EFFICIENCY ACTIVITIES (PCIE)

During this period OIG participated in several PCIE projects, providing inputs and continuing activities related to: (1) the disposal of excess property, (2) merged "M" account balances, (3) personnel security clearances, (4) debt collection controls, (5) the use of consultant services, and (6) the status of USIA's accounting system in conforming to federal financial management requirements.

In addition, responses were provided to PCIE regarding the planning for fiscal year 1991 Audit Committee Projects and for such other OIG related issues as: (1) external quality control reviews, (2) inspection standards, and (3) performance review boards for OIG/SES employees.

FRAUD AWARENESS AND PREVENTION

OIG continues to stress education and training in the prevention of fraud, waste and abuse. Bi-weekly programs, in concert with the Agency's Ethics Officer and the Office of Security, are conducted with all new Agency employees. Information regarding the OIG Hotline has also been disseminated.



APPENDIX A

AUDIT AND INSPECTION REPORTS

Report No.	Issue Date	Title/Auditee	Questioned Costs		Funds Put to
			Total	Unsupported	Better Use
Internal and Management Audits					
A-89-07	06/12/89	Review of USIA Compliance with Requirements for Managing and Reporting Consulting Services	-0-	-0-	-0-
A-89-08	09/28/89	Survey Report of USIA Accounting System	-0-	-0-	-0-
A-89-19	05/16/89	Review of the Philippines Relay Station	-0-	-0-	\$150,000
A-89-20	06/07/89	Review of Agency Book Program	-0-	-0-	-0-
A-89-22	09/29/89	Review of Agency Use of Nonreimbursable Details	-0-	-0-	-0-
A-89-27	09/29/89	Review of Fiscal Year 1988 Year-End Spending	-0-	-0-	-0-
A-89-28	09/29/89	Review of Regional Service Center - Manila	-0-	-0-	14,789
L-89-09	09/05/89	OIG Review of Overseas Financial Management Package	-0-	-0-	-0-
L-89-13	09/29/89	Report on Fact-Finding Review Concerning the Thailand - United States Educational Foundation	-0-	-0-	-0-
Subtotal			-0-	-0-	\$164,789
Grant and Contract Audits					
A-89-15	07/19/89	Report on Audit of Federal Contracts and Grants with the Institute of International Education for Fiscal Years Ended September 30, 1985 Through 1987	\$65,825	-0-	-0-
A-89018	05/26/89	USIA Grant Agreement with RIAS-TV	-0-	-0-	-0-
A-89-21	07/11/89	Audit of Communications Satellite Corporation's Equitable Adjustment Claim	87,181	\$3,874	-0-
A-89-23	07/11/89	USIA Grant Agreements with Eisenhower Exchange Fellowships, Inc.	129,655	-0-	\$124,450
A-89-25	08/03/89	USIA and USAID Grant Agreements with Town Affiliation Association of the U.S., Inc.	52,785	40,635	-0-
A-89-26	08/07/89	USIA Grant Agreement with American Bar Association Chicago, Illinois	18,607	17,993	-0-
L-89-08	06/23/89	Provisional Indirect Cost Rates - Meridian House International (MHI)	-0-	-0-	-0-
L-89-11	08/24/89	Review of General Overhead Rate - Green International Affiliates, Inc.	-0-	-0-	-0-
L-89-12	09/05/89	Provisional Indirect Cost Rates - Delphi Research Associates	-0-	-0-	-0-
Subtotal			\$354,953	\$62,502	\$124,450
Inspection Reports					
I-89-08	06/12/89	Inspection-Audit USIS Tanzania	\$6,810	\$6,810	\$198,000
I-89-09	06/19/89	Inspection-Audit USIS Ghana	-0-	-0-	9,487
I-89-10	06/09/89	Inspection-Audit USIS Central African Republic	-0-	-0-	17,624
I-89-11	07/10/89	Inspection-Audit USIS Cote d'Ivoire	-0-	-0-	30,935
I-89-12	09/12/89	Inspection-Audit USIS Brazil	-0-	-0-	44,429
I-89-13	09/29/89	Inspection-Audit USIS Indonesia	-0-	-0-	-0-
L-89-07	07/10/89	VOA Abidjan Correspondent Bureau	-0-	-0-	-0-
Subtotal			\$6,810	\$6,810	\$300,475
TOTAL			\$360,863	\$69,312	\$589,714

APPENDIX A (Continued)

Other Government Agency Audits*

<u>Report No. or Fiscal Year</u>	<u>Issue Date</u>	<u>Title/Auditee</u>
44-FH-9-004	11/10/88	Commonwealth of Kentucky
11271	07/21/89	State of Florida
FY1988	03/15/89	State of Louisiana
FY1988	07/14/89	State of Minnesota
A-10-89-06058	04/07/89	State of Oregon
ACN-06-82006	09/26/88	State of Texas
A-05-89-05388	07/18/89	Ball State
FY1987&88	11/28/89	College of Charleston
03-93042	05/08/89	College of William & Mary
A-05-89-05289	04/14/89	Indiana University
03-83221	02/03/89	Longwood College
FY1988	09/22/88	Mid-America Arts Alliance
A-05-89-05322	05/17/89	Northern Illinois University
FY1987	03/17/89	Dominion University
A-09-89-06446	08/07/89	San Francisco State University Foundation
FY1987&88	07/20/89	University of Illinois
A-07-89-06217	11/02/89	University of Kansas
FY1988	11/21/88	University of South Carolina
FY1988	01/17/89	University of Virginia
FY1988	06/29/89	Virginia Polytechnic and State University
2170-8D160052-0807	09/19/88	The Latin American Scholarship Program of American Universities, Inc.
1671-8A60020	06/09/88	Council for International Programs for Youth Leaders and Social Workers, Inc.
6261-89A16990066	02/02/89	National Institute of Work and Learning

* These audits, conducted under the Single Audit Act of 1984, represent Audits of a grant recipient's entire organization where USIA grant funds were involved.

APPENDIX - B

INVESTIGATIVE ACTIVITIES

STATISTICS

Caseload

Pending beginning of period.....	60
Opened this period	35
Closed this period	19
Pending end of period	76

Results of Cases Closed

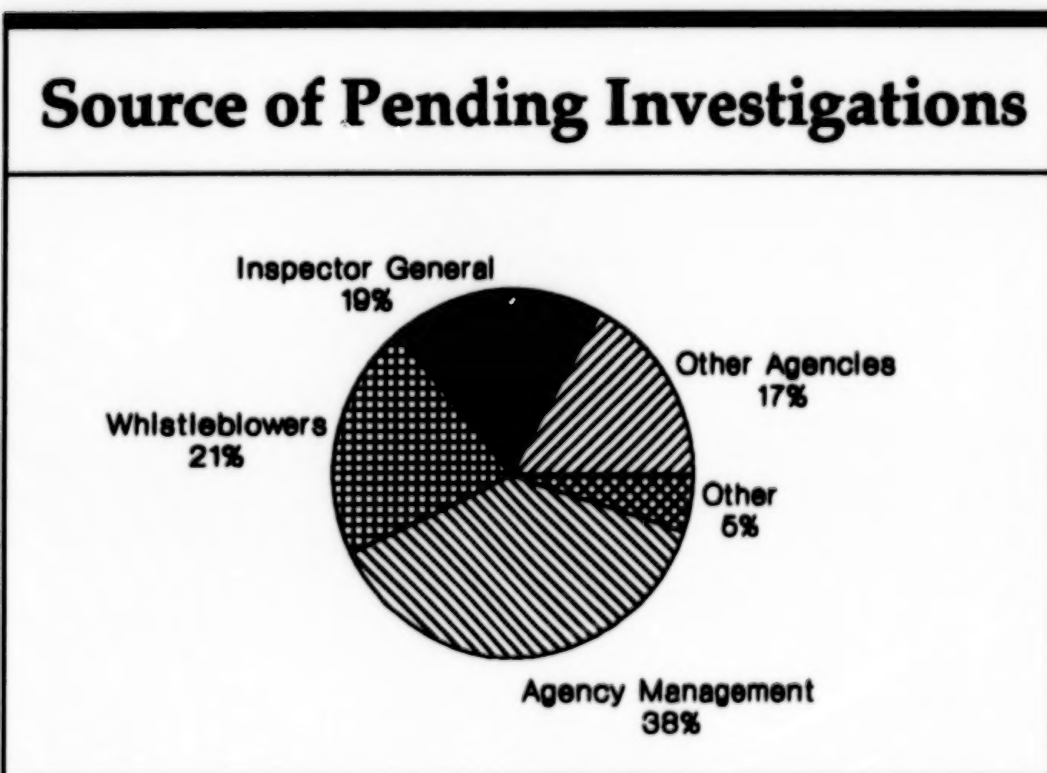
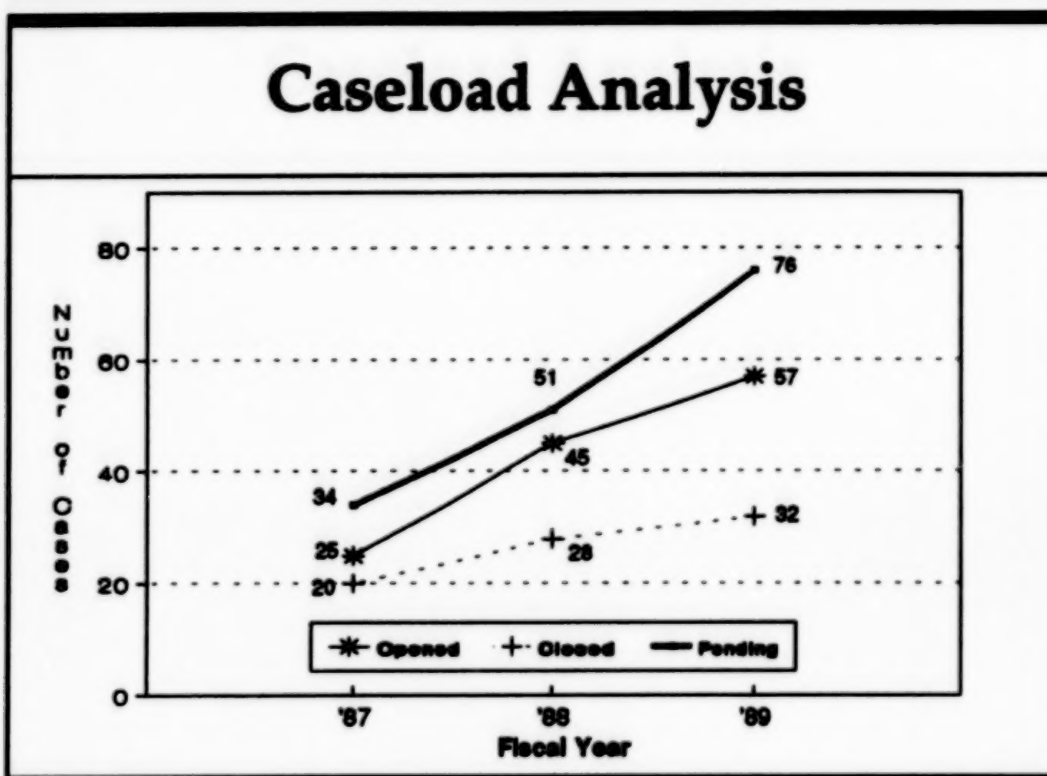
Allegation not substantiated	3
Agency corrective action initiated	4
Agency disciplinary action taken	6
Administratively closed(No action)	2
Resignations	2
Terminations	2
Prosecutions	<u>1</u>
	20*

Monetary Results From Cases Closed

Recoveries/Restitutions	\$1,145
Other	<u>976</u>
Total	\$2,121

* Reflects multiple results of the 19 cases closed.

Appendix - B (continued)

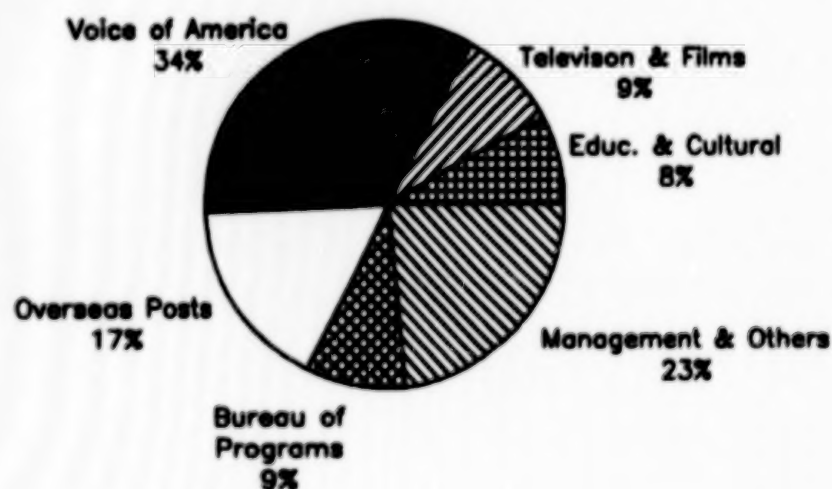


Appendix - B (continued)

Character of Investigations



Investigative Dispersion



APPENDIX C

REPORTS ISSUED WITH QUESTIONED COSTS

		Dollar Value of Questioned Costs (in thousands)	
	<u>Number Reports</u>	<u>Total Costs</u>	<u>Unsupported *</u> <u>Costs</u>
I - Reports subject to management decision:			
a. Issued during prior reporting periods	11	\$ 953	\$740
b. Issued during current reporting period	<u>6</u>	<u>361</u>	<u>69</u>
c. Total	17	\$1,314	\$809
II - Reports for which decision was made this period:			
a. Dollar value of disallowed costs	10	\$ 96	\$ 9
b. Dollar value of costs not disallowed	<u>6</u>	<u>767</u>	<u>705</u>
c. Total	10 **	\$ 863	\$714
III - Reports for which no management decision was made by the end of the reporting period:			
	7	\$ 451	\$ 95
	=====	=====	=====
IV - Reports for which no management decision was made within six months of issuance:			
	2	\$ 97	0

* Amounts are also included in Total Costs.

** Six reports contained both disallowed costs and costs not disallowed.

APPENDIX D

REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE
--

	Number Reports	Dollar Value (in thousands)
I - Reports subject to Management Decision:		
a. Issued during prior reporting periods	0	0
b. Issued during current reporting period	8	\$590
c. Total	8	\$590
II - Reports For Which Decision Was Made This Period:		
a. Recommendations that were agreed to by management:		
- Based on proposed management action	7	\$465
- Based on proposed legislative action	0	0
b. Recommendations that were not agreed to by management:	0	0
c. Total	7	\$465
III - Reports for which no decision was made by the end of the reporting period:	1 ===	125 =====
IV - Reports for which no management decision was made within six months of issuance:	0	0

APPENDIX - E

**SUMMARY OF FOUR E BUREAU GRANT COSTS
QUESTIONED BY GENERAL LEDGER ACCOUNT CATEGORY**

	<u>Costs Questioned</u>	
	<u>Total</u>	<u>Unsupported</u>
Travel and Subsistence	\$88,868	\$37,914
Salaries and Benefits	762	0
Overhead	175,042	19,812
Unauthorized Use of Funds	200	0
Foreign Flag Carriers	0	0
Participant Costs	1,098	0
Other	<u>902</u>	<u>902</u>
	\$266,872	\$58,628

APPENDIX F

AUDIT REPORTS UNRESOLVED OVER SIX MONTHS**Phelps-Stokes Fund**

The report, issued on December 9, 1988, made nine recommendations identifying questioned costs applicable to both USIA grants and Department of State agreements. The Contracting Officer at the Department of State, as the cognizant agency, is still in the process of negotiating the final indirect cost rates. Once those rates are finalized, then the final decision on the questioned costs can be resolved. The Contracting Officer at USIA has requested the Contracting Officer at the Department of State to provide a written report on the current status of all recommendations. (Report No. A-89-03)

American Institute of Pakistan Studies

The report, issued November 4, 1988, identified \$36,696 as ineligible costs, in addition to certain financial management system and reporting deficiencies needing correction. The Contracting Officer issued a determination on May 22, 1989, sustaining \$15,790 of the ineligible costs and resolving the other noted deficiencies. Subsequent to that date the grantee submitted additional information to the Contracting Officer who issued a revised decision on September 29, 1989, reducing the sustained ineligible costs to \$10,898. OIG was unable to review the revised action prior to September 30 and the report was still carried on OIG's records as unresolved. It will be shown as resolved in the next reporting period. * (Report No. A-89-01)

* OIG is clarifying its procedures for dealing with such actions, and under these procedures, this report would have been considered resolved in May 1989 with any subsequent actions handled separately.

APPENDIX - G

DEBTS OWED TO USIA

In accordance with the Senate Committee on Appropriations report on the Supplemental Appropriations and Recision Bill of 1980, the following chart shows preliminary, unaudited figures provided by USIA on appropriation funded debts which were owed, overdue and resolved during the six month period ending September 30, 1989.

	<u>Owed</u>	<u>Overdue</u>	<u>Resolved During Period^{1/}</u>
March 31, 1989	\$ 310,900 ^{2/}	\$151,900	(\$209,400)
September 30, 1989	\$1,462,800 ^{3/}	\$93,600	(\$348,600)
Change	\$1,151,900	(\$58,300)	

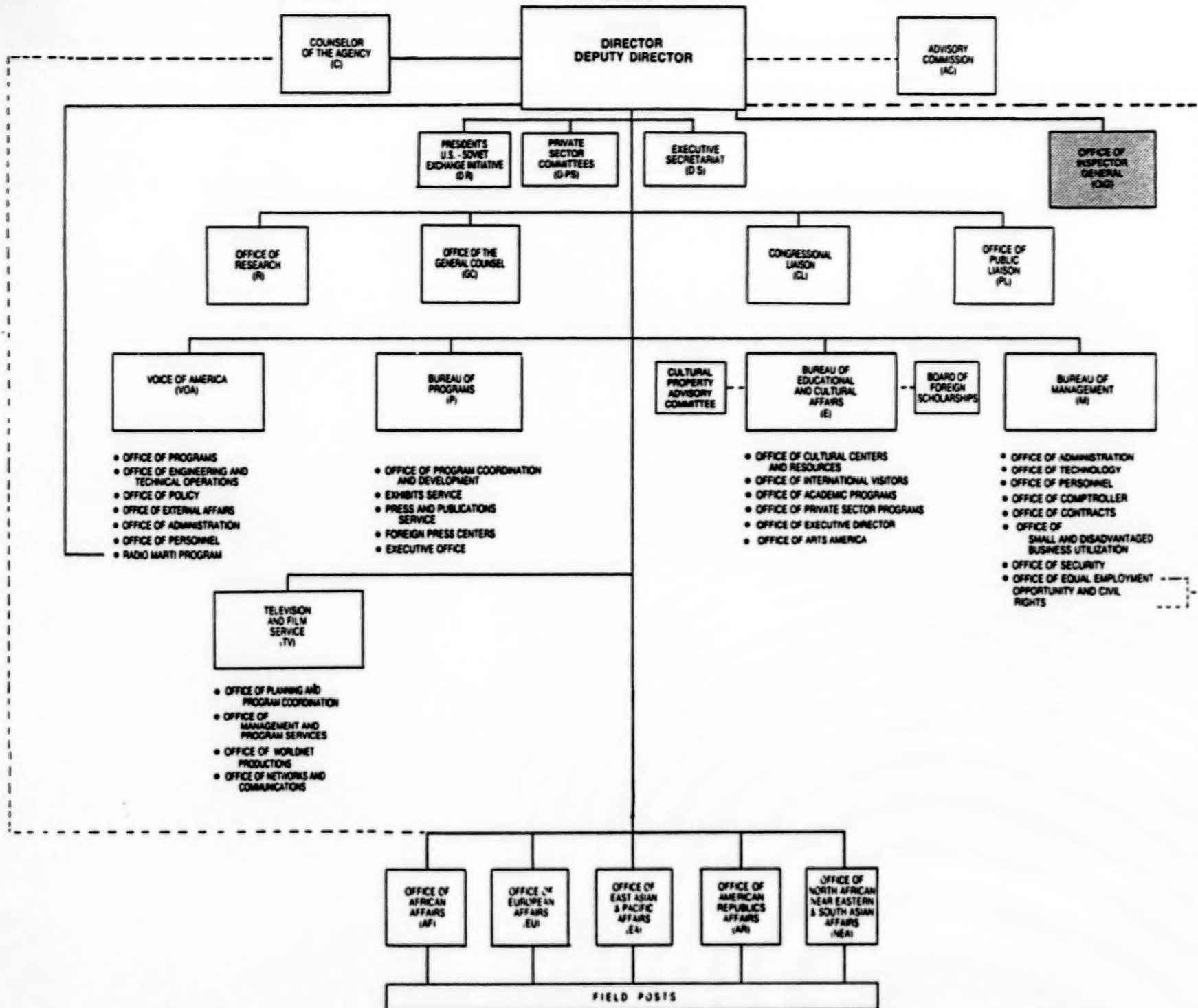
^{1/} Includes cash refunds, compromises and waivers, and write-offs.

^{2/} Adjusted from previous seminannual report to reflect end of period balances on a consistent basis.

^{3/} Includes two large accounts: IRS - \$1,022,300 and GSA - \$256,000.

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**UNITED STATES INFORMATION AGENCY
(USIA)**



United States Information Agency

Washington, D.C. 20547



INSPECTOR GENERAL

April 30, 1990

The Honorable Bruce S. Gelb, Director
The Honorable Eugene P. Kopp, Deputy Director

In accordance with the Inspector General Act of 1978 (Public Law 95-452), I am transmitting the semiannual report of the Inspector General covering the six-month period October 1, 1989 through March 31, 1990.

During this period, OIG issued 28 audit and inspection reports dealing primarily with financial management, program evaluation, grants management, procurement and other administrative operations. OIG also completed 23 investigations, most of them related to fraud, theft or misuse of government property or funds and employee misconduct.


Questioned costs having a potential monetary impact of \$1.8 million were identified. The actual monetary impact of OIG activities realized this period based on questioned costs sustained, funds put to better use and investigative recoveries, totaled \$469,144.

In addition to summarizing activities conducted during the period, the report also highlights certain "Areas of Concern" which OIG and the Agency believe have the potential to impact adversely on the effective management of Agency resources and the accomplishment of its program objectives.

Overall, OIG recommendations were directed towards improving the efficiency, economy and effectiveness of the Agency's worldwide programs and operations. Deficiencies brought to the attention of Agency management have generally resulted in prompt action. OIG will continue to coordinate its efforts with those of management in addressing all areas of concern.

Your support and cooperation is greatly appreciated.

Sincerely,


J. Richard Berman
Acting Inspector General

**This report has been provided, through the
Director of the United States Information Agency,
to the following Congressional oversight committees:**

**Senate Committee on Appropriations
Senate Committee on Foreign Relations
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Committee on Foreign Affairs
House Committee on Governmental Affairs**



REPORT - FRAUD, WASTE, ABUSE

United States Information Agency

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of
INSPECTOR GENERAL

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Assistant IG for Investigations
400 6th St. S.W., Room 3700
Washington, D.C. 20547

■ Provide the following: Who, What, When, Where, Why and How ■



END

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